

15 September 2017

The PMI

While the election polls are equivocal, the Performance of Manufacturing Index (PMI) is nothing of the sort. It picked up to a perky 57.9 in August, after a reading of 55.5 in July. This puts it even further above its long-term average, of 53.3, making it relatively rapid now. Underlying this, the regional impetus has become much more uniform, after the South Island was lagging the North at the same stage last year. Similarly, medium-to-large sized firms have gone from slow to go-go over the last 12 months, while firms of lesser size have held to a steady growth pulse. Production, overall, has taken the initiative, with a hefty 60.3, while new orders strengthened to 58.4, from 55.5.

Employment

The employment index of the PMI, not to be overlooked, rocked on at 56.7 in August, from 56.5. For a series that has averaged 50.6 since inception (August 2002) these are fair booming results. This index has proved to be a good pointer to official measures of employment, in particular the filled-jobs series of the Quarterly Employment Survey. This, for the manufacturing sector, registered annual growth of 2.0% in Q2 2017 having run soft over calendar 2016. The PMI jobs index also offers general support to the idea that the fall we saw in the Household Labour Force Survey's measure of total employment in Q2 was largely a technical issue, rather than a "real" one.

Manufacturing Sales

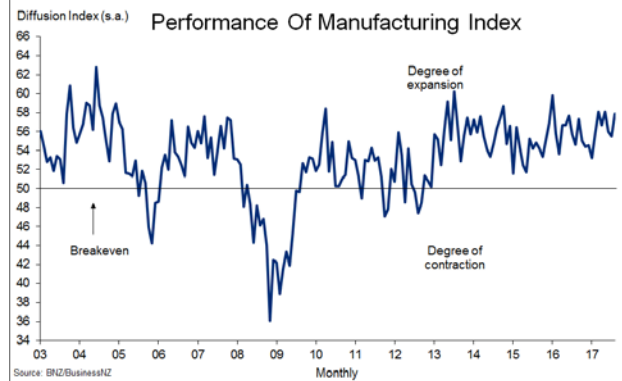
The Economic Survey of Manufacturing showed a 1.0% increase in sales volumes in the June quarter of 2017, seasonally adjusted. When we number-crunch this along with the accompanying inventory data, we get the impression that production in the sector expanded about 1.0% as well. This is mainly because of a sizable rebound in rural production, translating into food processing. Outside of this, however, manufacturing activity looked more mixed. This was echoed in the volume measure of non-food manufactured exports in the Overseas Trade Indexes. This increased a seasonally adjusted 0.3% in the June quarter, to be down 3.5% y/y.

Global

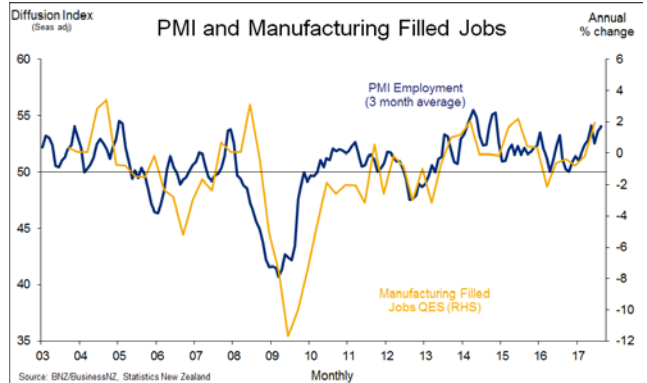
While the NZ PMI remains a (positive) standout on the international stage, manufacturing activity around the world, to be sure, is picking up. This was highlighted in August's global PMI (as produced by JP Morgan and HIS Markit). It edged up to 53.1. While this might sound so-so, by comparison to New Zealand's, it is, in fact, the most expansive since 2011. It coincides with a more concerted impetus to global growth now - across countries and country-blocs - after a relatively slow and disjointed 2016. And in respect to Australia's economy it is showing a firmer path for (non-mining) investment, which is typically good for manufacturing industries.

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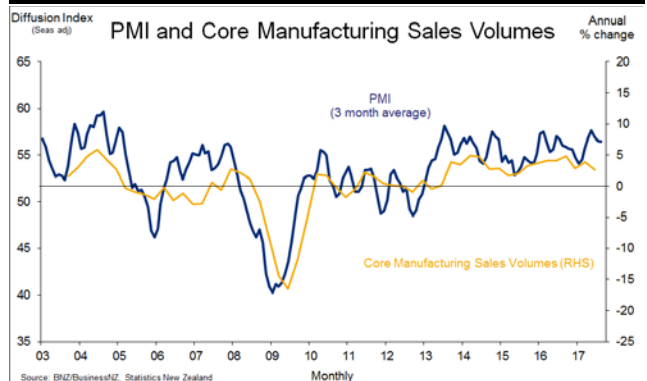
Heaving Ho



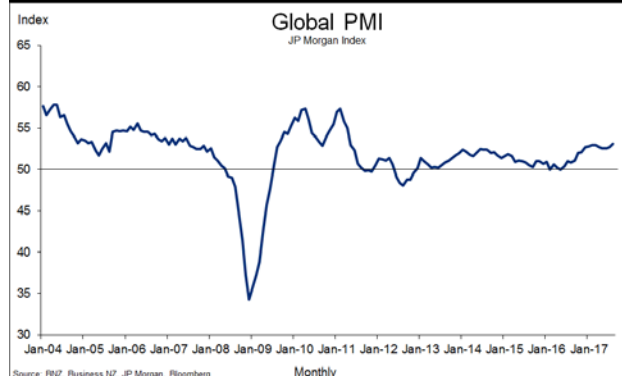
Jobs, Jobs and More Jobs



Selling Up



Best in a While



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